

Green Tag/REC Markets & Trading



Planning for the future....

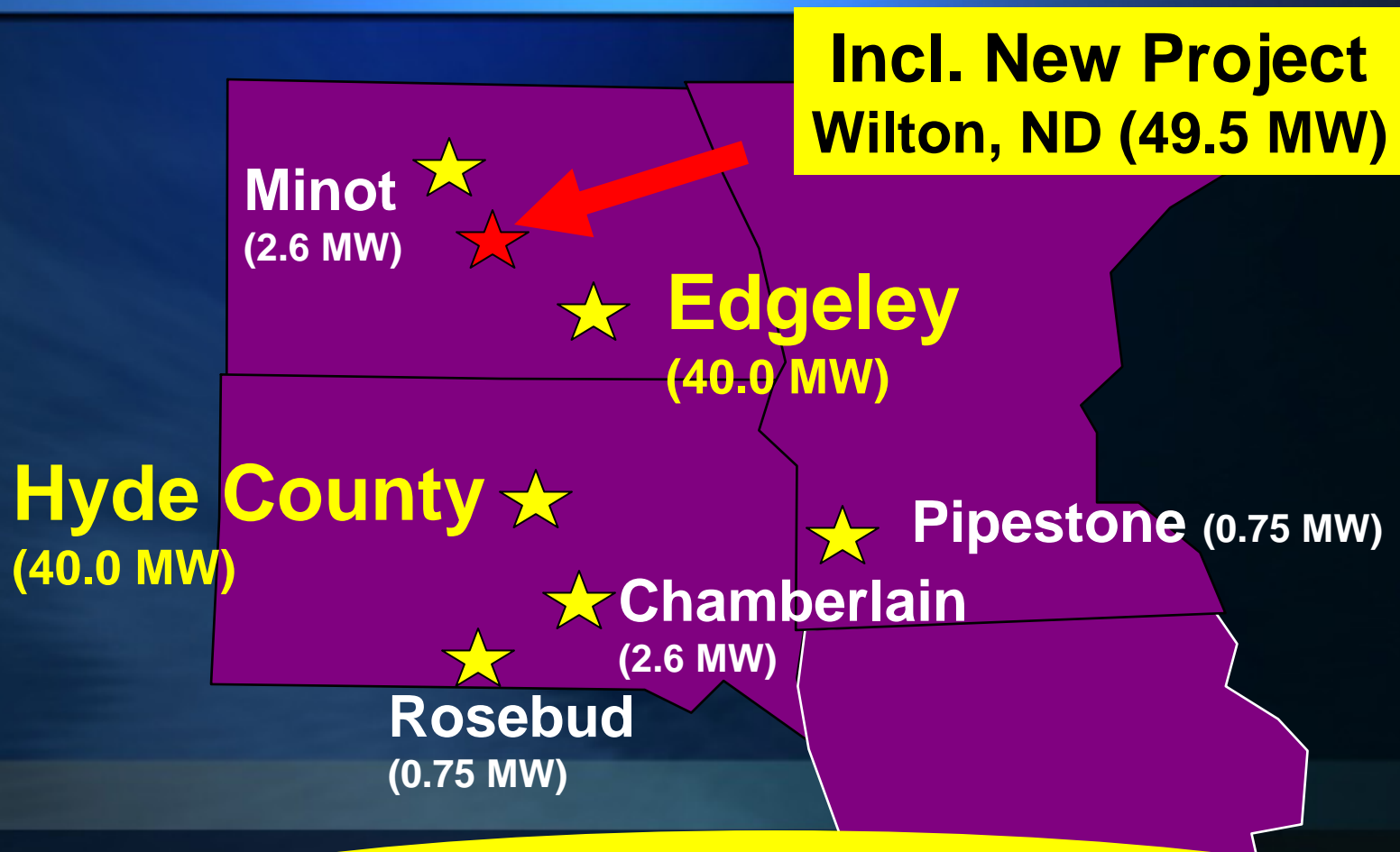


A map of Minnesota is shown in the background, divided into several colored regions. The top half of the map is visible, showing regions in yellow, purple, tan, orange, and grey. A large yellow oval is superimposed over the center of the map, containing text. The bottom half of the map is partially visible, showing regions in blue and grey.

121 Member Co-ops:
Serving 1.8 Million
Consumers

Electric Power Cooperative
MEMBER SYSTEMS

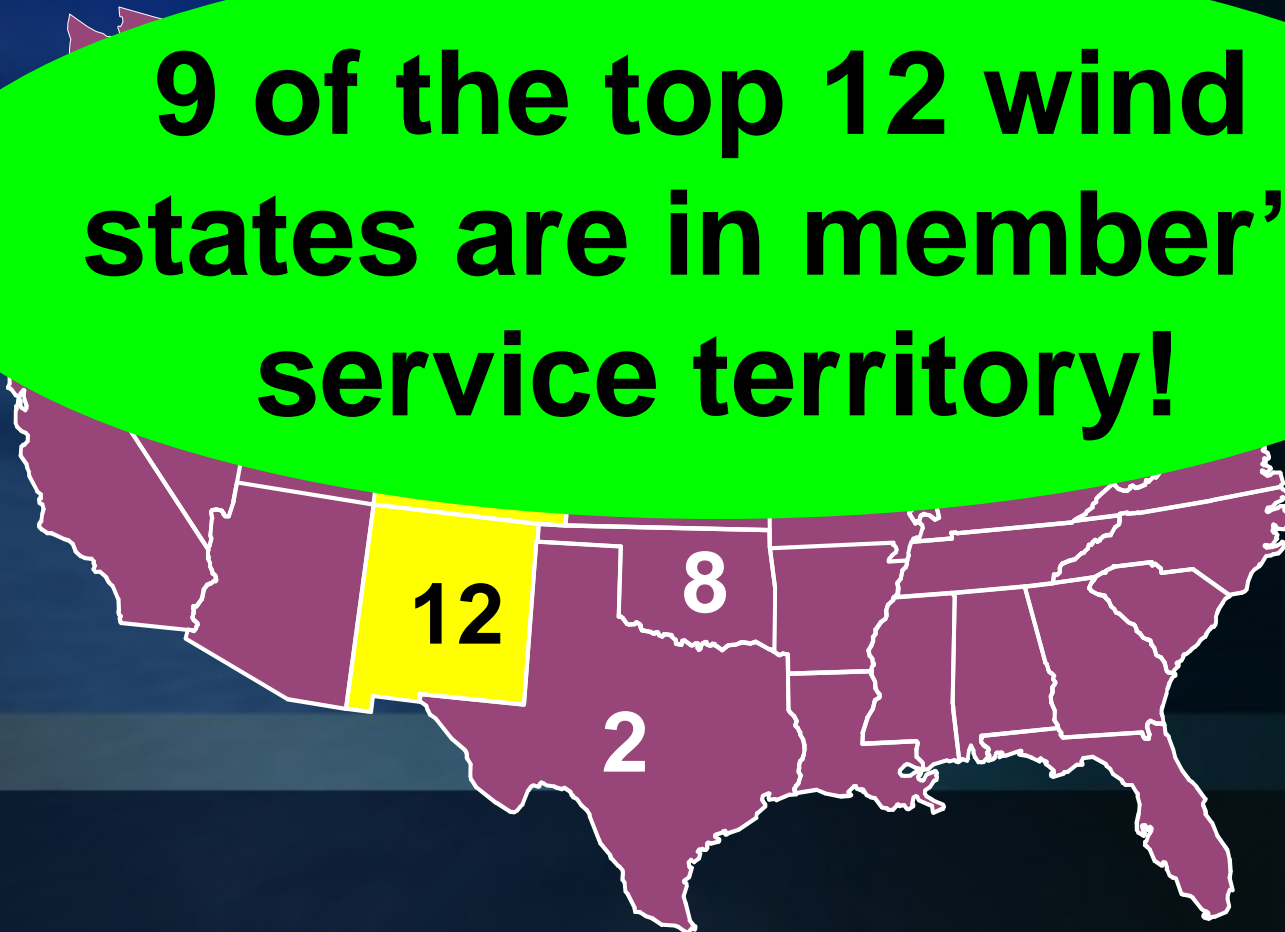
136 MW of Wind...



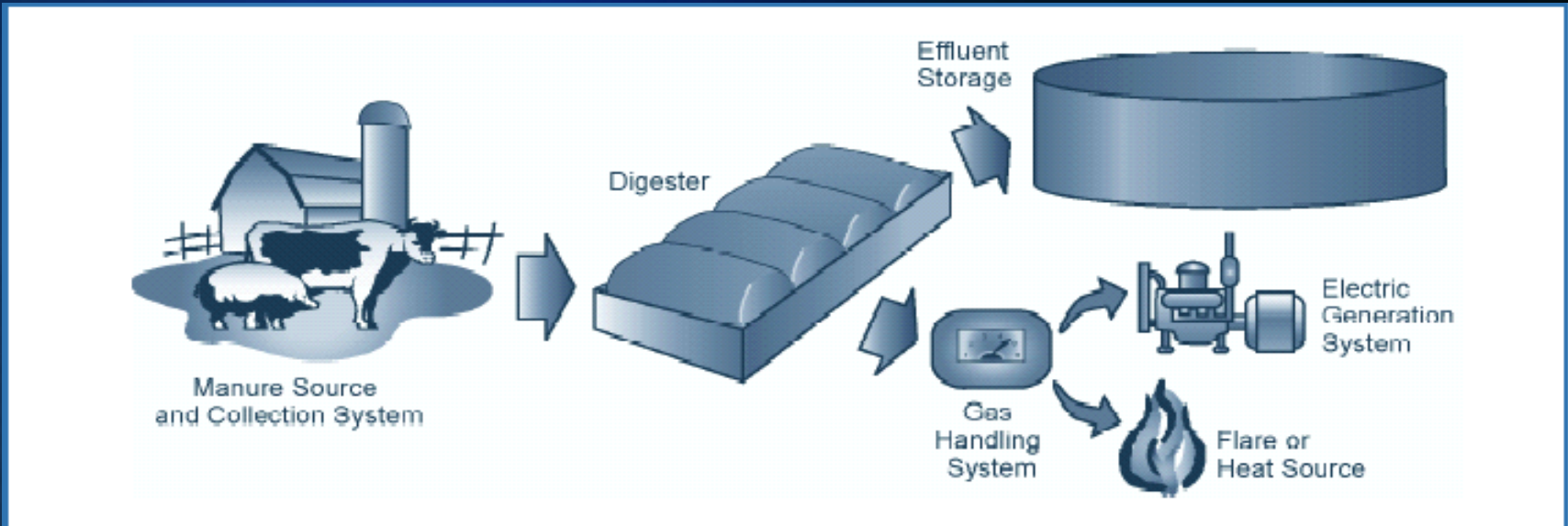
Annual Production >450,000 MWH/yr

Why Wind???

9 of the top 12 wind states are in member's service territory!



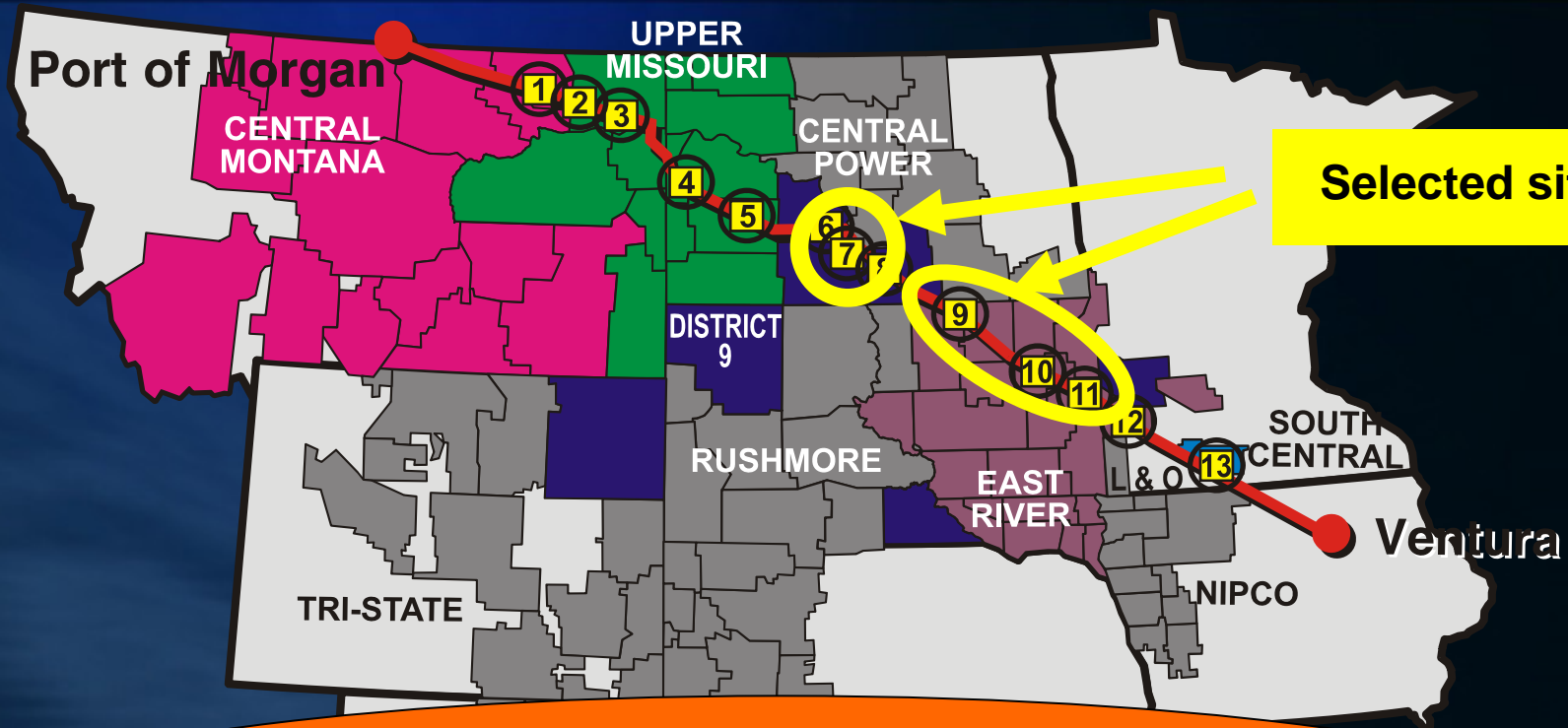
**We're also looking at other
non-standard resources...**



Methane Digester

Waste Heat Recovery

4 Waste Heat Recovery Projects...



Expected Generation: >175,000 MWH/yr

Basin's "Green" Resources...

- | | |
|------------------|----------|
| 1. Wind | 136.5 MW |
| 2. Heat Recovery | 22 MW |

Total Capacity 158.5 MW

Other Possible Green Resources

Biomass & Solar?

Regional Renewable Portfolio Laws...

Renewable
Energy, or...

Colorado
RPS



Minnesota
RPO



Green Tags...

Green Tags **(A.K.A. “RECs”, “TRCs”)**

Defined as:

“...bundle of rights related to the non-energy attributes of a MWH of electricity, generated from an environmentally-preferred source...”

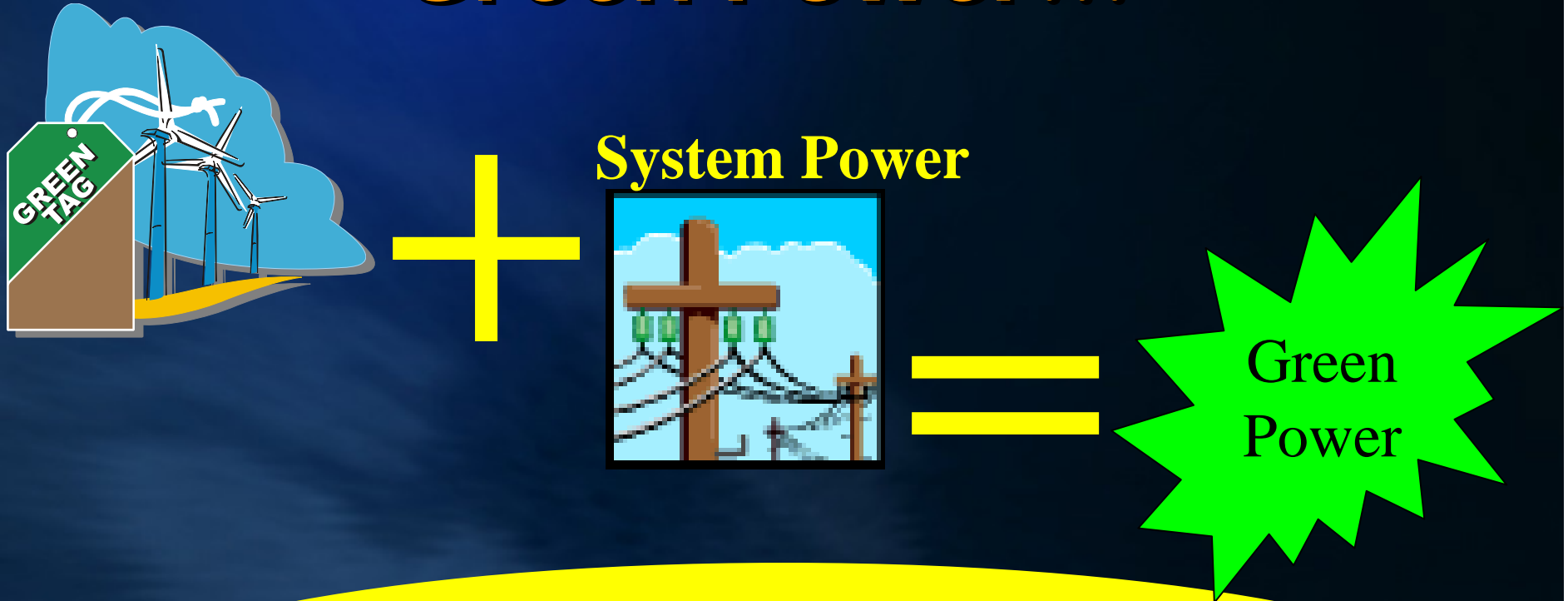
***Source: Bonneville
Environmental Foundation***

Concept of Green Tags:

Separate renewable feature from the power...



Green Tags make Green Power...



1 Green Tag represents the
Generation of 1 MWH of renewable energy

**There is value in
the Green Tags**

FOR SALE

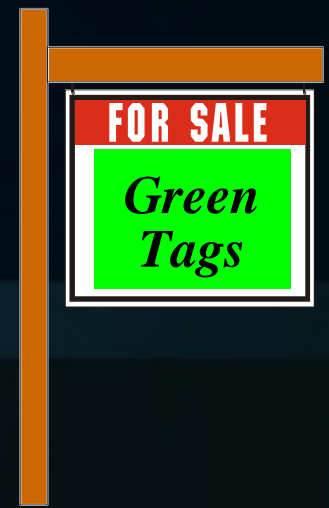
*Green
Tags*

BEPC 2005 Green Tag Rate...

- Small Quantities: \$5.00/Tag
- More than 5,000 Tags: Market Price



1 Tag = Renewable
attributes of 1 MWH





**BASIN ELECTRIC
POWER COOPERATIVE**

Certificate Number: xxxx-x
Date: Month Year

Renewable Energy Green Tag Certificate

By the purchase of this Renewable Energy Certificate, you are supporting renewable energy.

Each Renewable Energy Certificate represents the intangible, generally perceived environmental attributes and benefits associated with producing electricity from an electric generating facility generally regarded as a source of environmentally-preferred energy, such as wind, small hydro, solar or biomass.

With the sale of this Renewable Energy Certificate to the Purchaser, Basin Electric Power Cooperative hereby transfers the ownership of the above-defined environmental attributes to the Purchaser. Basin Electric will not use those attributes for meeting any other environmental obligations or requirements.

The environmental attributes identified in this Renewable Energy Certificate represent renewable energy (electricity) generated by a wind generator. This renewable energy is documented and tracked by a unique serial number. In addition to a unique number, each serial number also includes the month of generation, also known as the "vintage". Each serial number defined in this Renewable Energy Certificate represents the generation of 1000 kilowatt-hours (1 Mega-watt-hour). The unique serial number(s) documented below represent the environmental attributes transferred to the Purchaser by this Renewable Energy Certificate

Renewable energy data specific to this certificate:

Green tag serial numbers:	EWP Oct2003 100005828 through EWP Oct2003 100006660
Quantity delivered under this certificate:	833 MWh of green energy (833,000 kWh)
Type of generation:	Wind

Additional information on the definition and benefits of Renewable Energy Certificates and the terms and conditions of sale can be found on our website www.X0000000X.com



Current Value of Tags (RECs)

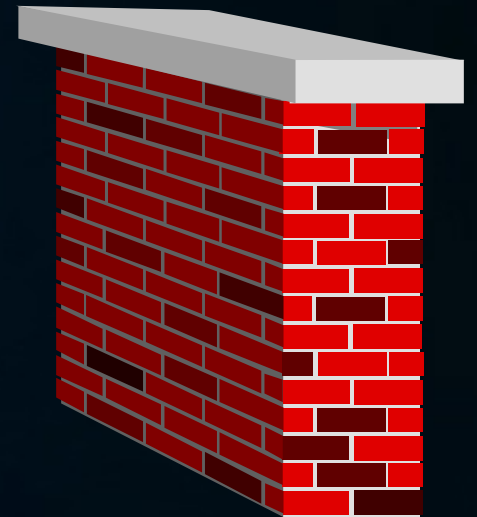
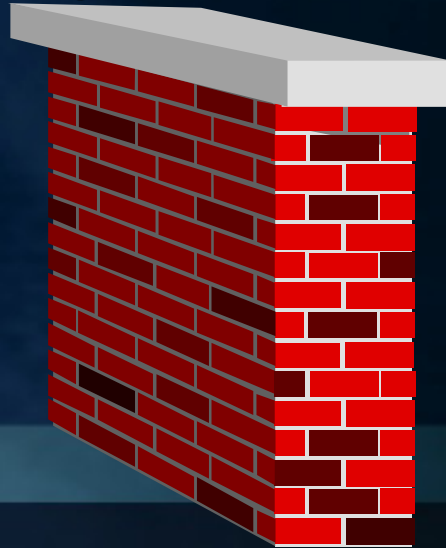
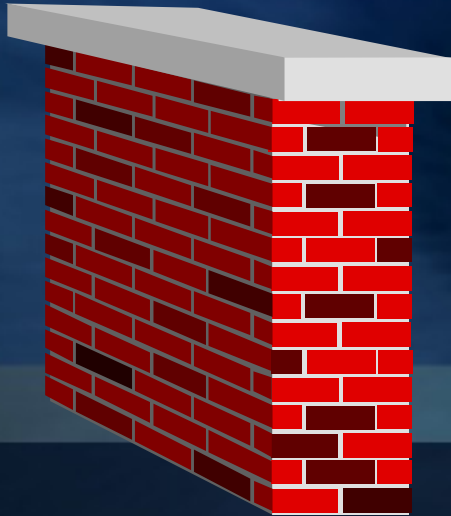


Some Marketing Hurdles...

protectionism

Lack of
Recognition

Liquid Markets



Customer Expectations:

The Green Tag/REC provides...

- Perceived Environmental Benefits
(Fuel is avoided/ or conserved)
- Verification as a Legitimate Purchase
(No Double Counting)

3rd Party Tracking can aid marketing...



Customers want Assurance



Verification



Branding

3rd Party tracking benefits...

Reinforces
Market Integrity

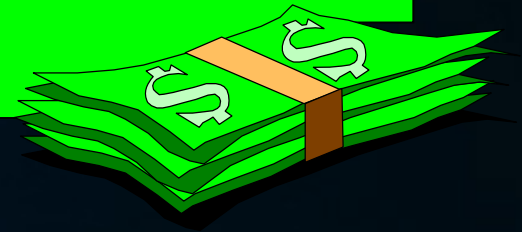


Allows Economy of Scale

Provides a high visibility
Clearinghouse

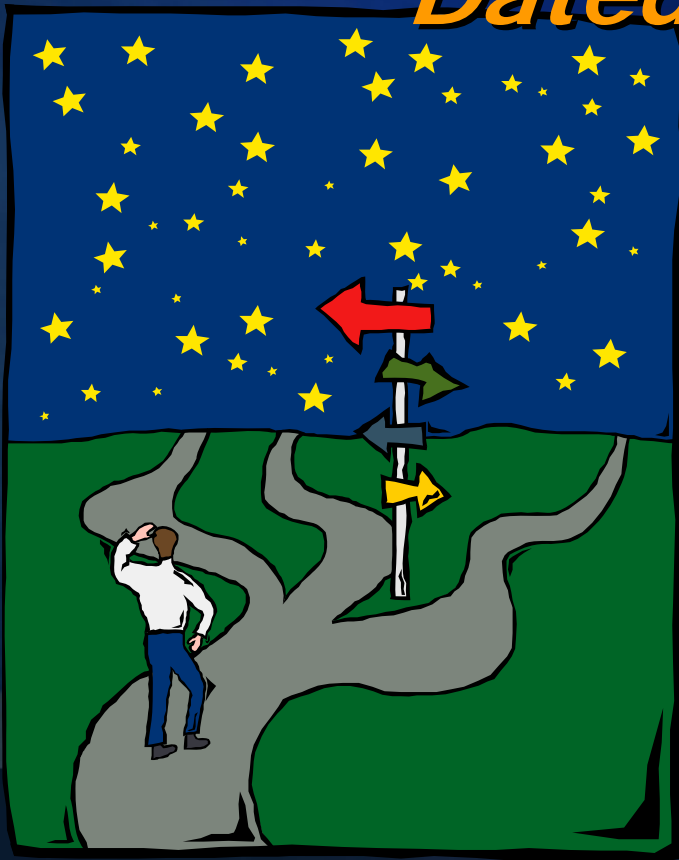
Last, but not least...

A Commodities Market
For RECs is Needed



Tracking systems or a
national clearinghouse
will help

Example:
Executive Order 13123
Dated: June 3, 1999



Part 2—Goals, Sec. 204. Renewable Energy.

- Each agency shall strive to expand the use of renewable energy within its facilities and in its activities by implementing renewable energy projects and **by purchasing electricity from renewable energy sources.**

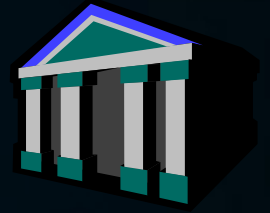
Federal Market for RECs is a great opportunity, but...

... there are some issues
that need attention



Geographical Discrimination

**Many Federal
RFPs restrict RECs
from windy regions
(or outright ban them)**



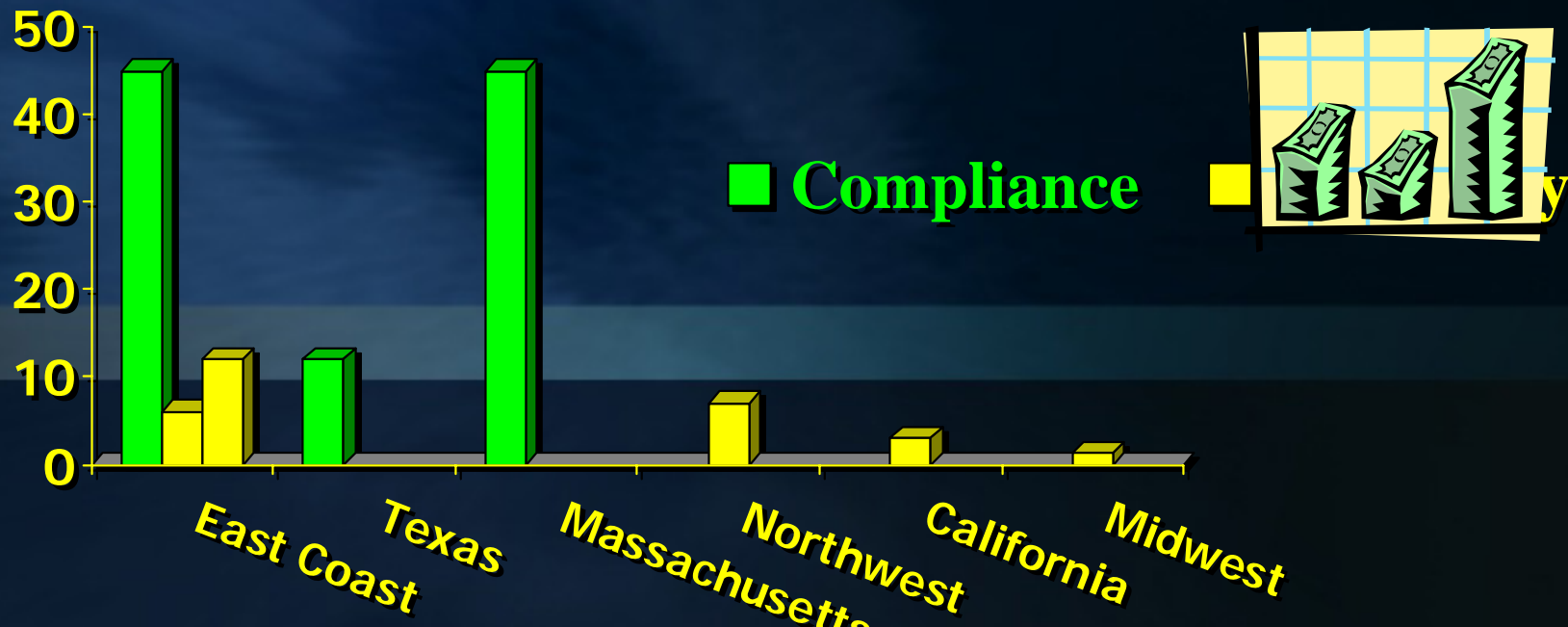
***Possible violation of
Interstate Commerce Clause***



Typical 3 Year Contract

has significant price risk

Typical Market Pricing



Midwest Renewable Energy Tracking System (M-RETS)

Purpose:

3rd party tracking of renewable attributes

Verification & Documentation
“Paper Trail”

Voluntary

Possible Participants

- South Dakota
- North Dakota
- Minnesota
- Iowa
- Wisconsin
- Illinois
- Manitoba
- Others?

Process Flow...

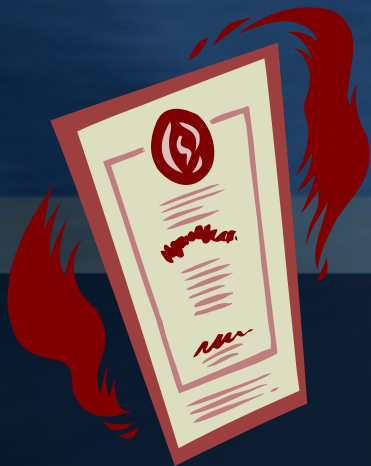
Wind
Turbine



Long Range Goal...

**Develop Nationally
Recognized Standards...**

**Based on Measurable
Environmental Benefits**

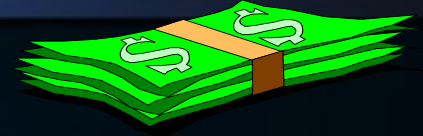


National Tracking System is Needed

- WREGIS (Western Renewable Energy Generation Information System)
 - Western half of US (WECC footprint)
 - WECC is institutional home
 - Getting close to operation
- MRETS (Midwest Renewable Tracking System)
 - ND, SD, MN, IA, WI, Manitoba
 - Working on procedures and final concept
 - Legislation in ND/SD to allowing participation
- Others – Wisconsin, PJM, NEPOOL, ERCOT, etc

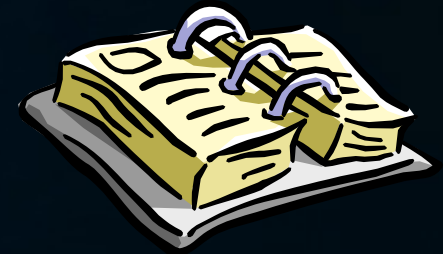


Standards & System Integrity are Critical



Suggestions: Keep Things Simple!

- Good Reference: Nat. Assoc. of Attorneys General
"Guidelines for Environmental Marketing"
- Verification Process:
 - Independent CPA or;
 - Qualified internal auditors
 - "Agreed on Procedures" (Audits do not apply)
- Leave fuel mix, market power, etc., to regulators



Clarification:
**For those who are developing
standards...**

To a CPA, the term "audit" only applies to
financial statements.

For a tracking system or REC program; a
more correct term is "agreed-on procedures"

Intent...

Add to SD's competitive advantage!

